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Introduction

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Introduction

Hong Kong has come a long way since 1841 when the island was first ceded by China's last imperial dynasty to Britain "in perpetuity," spoils of war in the first of several lopsided confrontations known as the Opium Wars. Indeed, at the time the British foreign secretary, Lord Palmerston, rebuked Captain Charles Elliot for his ineptitude in settling for the acquisition of "a barren island with hardly a house upon it." Who could have imagined that a century and a half later Hong Kong would emerge as a financial powerhouse with the busiest container port and airport in the world?

Further concessions imposed by 19th century British gunboat diplomacy led to the annexation in 1859 of Kowloon Peninsula on the mainland, just a stone's throw across the harbor from Hong Kong Island, and then in 1898 the so-called New Territories, which alone comprise 91 percent of the former British Crown Colony's land area. By then, however, on the eve of the 20th century, competition among the imperialist powers anxious to carve out spheres of influence in China made it politically unwise actually to annex more Chinese territory. Instead, the fateful decision was made to negotiate a 99-year lease on the New Territories. This lease was set to expire on July 1, 1997. Britain's vain hopes of hanging on to this gem of a colony after that date were dismissed out of hand by China's paramount leader Deng Xiaoping in the early 1980s. China having endured over a century of diplomatic and military humiliations at the hands of Western powers, Deng was in no mood to recognize the "unequal treaties" imposed by force of arms on the long defunct Manchu Dynasty. It remained then to agree on the terms of the hand-over and the status of Hong Kong after 1997.

The highly charged negotiations which ensued are described in fascinating detail by Chris Patten, last British Governor of Hong Kong (1992-1997), in his book *East Meets West*. Most problematical of all the issues on the table was, of course, the status of Hong Kong after 1997, especially how the political, religious, and economic freedoms enjoyed by the citizens of Hong Kong would be guaranteed in the future. As the “lame duck” colonial power Britain’s negotiating position was weak; but at the same time, it was thought that Communist China’s pragmatic, reform-minded leadership would not wish to destroy Hong Kong’s free-wheeling economy and vital role as East Asia’s leading trade and financial center. By the 1980s the vast majority of China’s imports and exports were being channeled through Hong Kong, as was most direct foreign investment flowing into mainland China. Political recriminations flew back and forth and negotiations dragged on for many months until Deng Xiaoping directly intervened by proposing his famous “one country, two systems” solution. According to this scheme, Beijing would guarantee that for 50 years after returning to PRC control, China would not interfere with Hong Kong residents’ right of assembly, freedom of speech, association, travel, religious belief, correspondence, right to strike, etc.; but all aspects of Hong Kong’s external affairs, including defense, would come under Chinese control. This compromise broke the deadlock and was subsequently codified in the *Sino-British Joint Declaration* of 1984, after which the outlines of Hong Kong’s post-handover system of government could be worked out. Ultimately this constitution, or “Basic Law for Hong Kong” as the Chinese prefer to call it, was promulgated by China in 1988. It contains solemn assurances that the individual freedoms and human rights of Hong Kong residents will be protected, while at the same time effectively providing the legal cover for China to intervene more

or less at will in Hong Kong's internal affairs to preserve public order, morals, and national security.

Needless to say, although Britain and China came to terms on the political and legal aspects of the impending handover, China's poor human rights record and the uncertain economic impact of Hong Kong's reversion to Chinese control weighed heavily on the minds of the colony's citizens, entrepreneurs, property owners, and international community for over a decade. Relations between Governor Patten and Beijing became increasingly acrimonious as Patten's administration made belated efforts to "democratize" Hong Kong's paternalistic colonial system in the hope of nurturing liberal democratic ideals prior to the handover in 1997. Having made it clear that democratically elected government in Hong Kong would not be condoned, Beijing threatened political and economic retaliation and vilified Patten throughout his tenure as Governor. Partly as a result of the heightened tensions, during the '90s most of Hong Kong's six million residents who were in a position to do so took precautions to safeguard their fortunes and freedom of movement by transferring assets abroad and by establishing residence elsewhere. Prior to the handover in July 1997, worldwide speculation about the fate of Hong Kong reached fever pitch. In the aftermath of the ill-fated Tian'anmen student demonstrations in June 1989, many feared a heavy-handed crackdown on Hong Kong's civil liberties by Beijing hardliners.

Although the 5th anniversary of Hong Kong's uneventful retrocession to the People's Republic of China has now passed, and no crackdown has taken place, all has not been smooth sailing. Mired in recession for the second time since the Asian financial crisis of 1997, Hong Kong's property values have declined precipitously; and doubts

about freedom of the press, assembly, and religion, and about the independence of Hong Kong's judiciary have arisen. Lingered questions also remain about aspects of Hong Kong's governance, notably the election process, many of whose details were left intentionally vague in the *Basic Law*. These and other important topics were studied by Martindale Student Associates during their May 2001 visit to the former Crown Colony, including education, health care delivery, gender discrimination, monetary policy, economic trends, entrepreneurship, competition with Shanghai, pollution, and technological infrastructure.

Whether you're an old China hand or strictly a neophyte when it comes to Asian affairs, these informative articles offer a timely, in-depth look into the business, political, and civic climate of the Hong Kong Special Administrative Region at the dawn of the Pacific Century.

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